

Accountability Report Transmittal Form

Agency Name: South Carolina State Housing Finance and Development Authority

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**South Carolina
State Housing
Finance and Development Authority**

Annual Accountability Report Fiscal Year 2002-2003

South Carolina State Housing Finance & Development Authority
919 Bluff Road
Columbia, SC 29201

It is the mission of the South Carolina State Housing Finance and Development Authority (“Agency” or “Authority”) to promote and provide safe, decent, and affordable housing for the citizens of South Carolina. Since 1971, the Authority has strived to ensure that all low-to-moderate income families, older adults, persons with disabilities, and other frequently underserved individuals obtain one of the most basic of human needs—a quality place to live.

The South Carolina State Housing Finance and Development Authority and its staff operate with the knowledge that helping South Carolinians realize a safe, decent place to live is more than an altruistic public service. Rather, it is an investment. Expanding housing opportunities is, at its core, an investment in individuals, communities, and local economies.

The past two years have been a time of great transition for the Agency. A number of staff changes have been made at the executive management level in an attempt to realign the resources of the Authority with the needs of its customers. As these changes mature and staff members become acquainted with their new duties, the Authority will continue to see increased efficiency, effectiveness, and improved customer service.

MISSION, VISION, AND VALUES

It warrants reiteration that it is the mission of the Authority to promote and provide safe, decent, and affordable housing for the citizens of South Carolina. The Authority envisions that all South Carolinians will have the opportunity to live in safe, decent, and affordable housing. Toward this means, the Authority has the following core values:

- **Customer Focus:** We strive to know and understand our customers and their needs. We respect all persons and value their diversity. We continually seek ways to improve our service. We encourage and appreciate our partnerships.
- **Public Trust:** We take responsibility for our actions and protect the public trust by upholding the constitution and laws of our nation and state. As guardians of public funds and resources, we will exercise competent and judicious management. We value integrity and ethical conduct above all else.
- **Employee Focus:** We value our employees and treat them with dignity and respect. We ensure that our staff has the tools and the training they need to be successful. We recognize and reward them for their outstanding contributions to our mission. We empower them to improve upon the systems and processes that they control.
- **Quality and Innovation:** We are dedicated, committed, and competent public servants. We are visionary, creative, and open to change. We constantly seek to improve our knowledge and ability to serve our customers. Professionalism, Quality, and Innovation are the hallmarks of the Authority.

KEY STRATEGIC GOALS AND STRATEGIES

The Agency completed its initial strategic planning session in June. The session created an agreement among all the strategic planning team (composed of all executive and mid-level managers) on five major strategic issues the Authority needs to address. The team also created a list of key results, or specific objectives to resolve each respective issue, as well as a list of specific tasks that must be accomplished to achieve the respective key results. The following are the key results and related strategies our team produced:

1. To make the State Housing Authority the leader for affordable housing assistance, in housing priorities, policy issues, and funding
 - a. Create an Information Clearing House, a “One Stop Shop,” for affordable housing
 - b. Create better liaison with local governments
 - c. Coordinate housing policy and economic development policy
 - d. Raise legislative awareness of affordable housing
2. An expanded Business Development marketing strategy
 - a. Refine/Establish data collection methods to meet program needs
 - b. Empower business development with the knowledge of the various marketable programs so that they are in a position to go out and educate groups/individuals about our programs
 - c. Revisit how we market our programs
3. Have the numbers, data, facts, and information to support marketing
 - a. Conduct an internal analysis to see if current structure, processes, policies need changing, how they need to change, whether they are conducive to change, and what problems might be encountered
4. Maximize the utilization of resources
 - a. Review agency processes to include programs, support services, delivery to maximize and streamline all mandatory and non-mandatory requirements and to utilize cross-sections in order to maximize human resources
 - b. Develop an agency-wide succession plan supported by senior management
5. Have in place measurements to ensure accountability, and effectiveness
 - a. Review and develop quantifiable, meaningful measurements for accountability, effectiveness and/or quality within each program area
 - b. Review and develop a communication plan for all employees that conveys the importance of measurements and how they relate to the overall agency mission
6. Appropriately address divergent housing situations
 - a. Create/update policies and procedures for each housing program
 - b. Review legal, regulatory, and Agency requirements
7. Create opportunities to combine programs to meet needs of divergent situations
 - a. Look externally for available housing programs and sources of funds
 - b. Analyze needs/issues in comparison with internal and external programs
 1. Determine which rules can or should be altered to facilitate appropriate housing solutions
 2. To the extent possible, tailor programs to the needs of special populations
8. Determine the role and needs for IT; IT becomes a service provider
 - a. Develop an IT business plan; get management to create buy-in for plan
9. Appropriately utilize support services
 - a. Clearly communicate the role of support services to all employees

OPPORTUNITIES AND BARRIERS

The recent reorganization experienced within the Agency has already created many opportunities for improvement; improved internal communication has increased morale, processes are being improved and streamlined in order to ensure efficiency; and customer satisfaction is becoming an increasingly stressed focus. However, there is additional room for improvement in many areas of the Agency. The recent strategic planning session has served to synchronize the Authority's Leadership with respect to several important key issues, agency goals and strategies.

The Leadership is convinced that the Agency's greatest opportunities lie within its employees. The Authority's workforce profile reflects a diverse and capable group. The Authority's Leadership, through its strategic plan, has set an ambitious framework for creating excellence within the Authority. This plan requires not only participation from each employee, but enthusiasm and a strong belief in creating a better Agency. Our greatest opportunity, therefore, is our employees. For this reason, it is the paramount objective of each Leader to convey the importance of the strategic plan to the Authority's mission.

Always a significant barrier to an agency's success is funding. Although the Authority does not depend on annual appropriations from the General Assembly, its programs are heavily dependent upon federal allocations and grants, and allocations of the state's Private Activity Bond cap—all of which fluctuate annually. Although the Agency has not experienced any major budget crises this year, it has nevertheless continued to operate in a fiscally conservative manner, remaining a good steward of public funds.

MAJOR ACHIEVEMENTS

Some of the major achievements experienced by the Agency include:

- Creation of the Business Development Division whose goal is to expand the agency's visibility in underserved markets and its role in the affordable housing community
- Creation of a Public-Private Broker Partnership Initiative, which allows the Authority to expand its lender base to include Mortgage Brokers as well as Mortgage Bankers and other lending institutions. This Initiative will increase the amount of individuals to whom we can provide low-interest mortgages and down payment assistance without incurring additional overhead or staff.
- Formation of the State Housing Corporation, an independent, not-for-profit corporation created to support the Authority by partnering with other organizations and government units to provide housing in new and innovative ways.
- Creation of the Contract Renewal Tracking System, a tool used to track the number of days a contract renewal or rent adjustment is in process, thereby ensuring timely responses to our customers and enhancing the Agency's ability to maximize fees collected for contract renewals and rent adjustments. The system also allows staff to easily prioritize the department workload on a daily basis.
- Minimizing losses due to negative arbitrage on the Authority's \$73 million Series 2002 A Mortgage Revenue Bonds and Series 2002 B Mortgage Revenue Notes by investing the proceeds in the State Treasurer's Local Government Investment Pool instead of in a guaranteed investment contract with a private-sector provider, saving the Authority in excess of \$1 million.

USE OF THE ACCOUNTABILITY REPORT TO IMPROVE ORGANIZATIONAL PERFORMANCE

The Accountability Report has been useful primarily as an exercise that allows the Agency to reflect on its annual performance, and to compare that year's performance to previous ones. However, under past leadership, there was little effort to align the Baldrige Criteria and the guidelines of the Accountability Report with the Agency's organizational infrastructure. The

next few years will see this change as performance measures are put in place, per the strategic plan, to allow the Agency to take a more systematic approach in its focus on customer service, process and information management, leadership, and employee development.

SECTION II

BUSINESS OVERVIEW

EMPLOYEES AND OPERATION LOCATIONS

The Authority has 122 FTE (full time equivalent position) slots available that are currently filled with 115 full-time permanent employees, as well as seven temporary employees. The agency is operated from two locations in Columbia. The Homeownership Division, composed of Loan Administration, Loan Purchasing, and Mortgage Servicing Departments, operates from our 711 Bluff Road location. The remaining programs and support services, including Legal, Development, Rental Assistance, Finance, Internal Audit, Human Resource Development, Training and Communications, Business Development and Information Technology, operate from 919 Bluff Road (29201).

EXPENDITURES/APPROPRIATIONS

The Authority is a self-sustaining Agency that does not rely on state general fund revenues for its operations. It is supported through funds generated by the sale of revenue bonds; Federal programs funded by the U.S. Department of Housing and Urban Development (HUD) and authorized by the Department of Treasury-Internal Revenue Service; user fees; and State Documentary tax funds transferred to the South Carolina Housing Trust Fund. All Notes and Bonds issued by the Authority are special obligations of the Authority and do not constitute a debt, grant, or loan of credit of the State of South Carolina, or any political subdivision thereof. The Authority works in partnership with the private sector and operates in a fashion that more closely resembles a private financial institution than a government entity.

	01-02 Actual Expenditures		02-03 Actual Expenditures		03-04 Appropriations Act	
Major Budget Categories	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Services	4,708,069.02	0	4,833,122	0	4,934,911	0
Other Operating Expenses	2,450,591.08	0	2,610,923	0	2,669,608	0
Special Items						
Permanent Improvements						
Case Services	82,064,160.87	0	89,625,283	0	100,000,000	0
Distributions to Subdivisions	5,597,822.78	0	6,706,194	0	8,000,000	0
Fringe Benefits	1,250,708.83	0	1,270,054	0	1,358,083	0
Non-recurring						
Total	\$96,071,352.58	\$0	\$105,045,575	\$0	\$116,962,602	\$0

CUSTOMERS, PARTNERS, AND SUPPLIERS

Each of the Authority’s programs, although connected by a common goal to house South Carolinians, caters to different customers and works with different partners. Our end-use customers are generally the individuals and families we provide with housing. These individuals and customers vary from “very low-income” to “moderate-income” in economic status and in many cases are considered “underserved” in terms of the housing market.

The nature of housing inherently involves the creation of partnerships and constant interaction with these partners and other stakeholders. The Authority partners with a wide variety of organizations. Among these are federal government entities, state agencies, local government agencies and municipalities, non-profit organizations, affordable housing advocates, real estate professionals, mortgage bankers, housing developers, landlords, and bondholders. Although the Authority often refers to these as our “partners,” we realize that they are also our customers and the Agency accordingly strives to ensure the efficient and effective delivery of services. The Agency prides itself in its willingness and outgoing efforts to foster relationships within the affordable housing community. In fact, this year marked the seventh year that the Authority hosted the South Carolina Partners in Homeownership, a group of over one hundred leaders in the state’s affordable housing community which meets quarterly to discuss pertinent topics in affordable housing, share information and best practices, and organize education and outreach events. The following represents a sample of the Authority’s partners and stakeholders:



SUPPLIERS

The Authority uses many vendors. The following are among the most used suppliers:

- State Central Supply
- SCDC Printing & Graphics
- CIO Print Shop
- Professional Printers
- Peachtree Business Products
- Lorick Office Supplies
- Forms & Supply
- JM Grace Corp

- Grainger Industrial
- Premier Technology Group
- Paper Pro
- Joe Henry Company
- CDW Computer Supplies
- Dell Computers
- HP Direct
- Global Industrial Equipment
- Forest Lake Travel
- Travel Network
- Xerox Corporation
- Pitney Bowes

PROGRAM/SERVICE DESCRIPTIONS

The Authority operates seven major programs:

Homeownership – Mortgage Revenue Bonds

The Homeownership Program is the core of the Authority's operations, and provides affordable homeownership opportunities for low- to moderate-income first-time homeowners in South Carolina, primarily through the sale of tax-exempt mortgage revenue bonds. The combination of funds generated by the sale of these bonds and prepayments support the homeownership program. These funds are recycled to finance new reduced interest rate mortgages for first-time homebuyers and used for other related affordable housing activities.

Key customers: Mortgagors (low- to moderate-income individuals)

Intermediate customers: Lenders, Mortgage Brokers

Stakeholders: Investors, Insurers, Federal agencies, Private Service Providers

Rental Assistance - Housing Choice Voucher (HCV)

The Authority administers the HUD Section 8 Housing Choice Voucher Program in 10 counties (Cherokee, Clarendon, Colleton, Dorchester, Fairfield, Kershaw, Lee, Lexington, Spartanburg, and Williamsburg). The program is 100% federally funded (rental subsidy and administrative fees). The HCV program subsidizes rent and utilities, based on household income, for very low-income families and individuals. Participant families are required to pay approximately 30% of their gross monthly income for rent and utilities; the HCV program subsidy pays the remainder. Rental subsidies are paid directly to the rental property owner. Utility subsidies are paid directly to the participant family.

Key Customers: Tenants (very low- and extremely low-income individuals)

Intermediary Customers: Property Owners

Stakeholders: US Department of HUD

Rental Assistance - Contract Administration (CA)

The Authority operates on HUD's behalf as contract administrator with owners who provide HUD-subsidized apartments in privately owned buildings under the Section 8 Program. The Program is 100% federally funded. Contract Administration staff perform various duties for HUD including management and occupancy reviews, adjustment of contract rents, processing contract renewals, terminations or expirations, responding to health and safety issues, and follow-up on Real Estate Assessment Center physical inspections of Section 8 apartment projects.

Key Customers: Tenants (very-low income individuals)

Intermediary Customers: Property Owners, US Department of HUD

Low Income Housing Tax Credit (LIHTC)

The Authority allocates and monitors the Federal Low Income Housing Tax Credit Program for the State of South Carolina. The Tax Credit Program is administered by the Internal Revenue Service and is the primary source of new affordable rental housing production in the State and

nationwide. Rental units financed with tax credits are created primarily through new construction or rehabilitation.

Key Customers: Direct beneficiaries of housing produced (very low- and low-income individuals)
Intermediary Clients: Private Sector and Nonprofit Developers

Multi-Family Tax-Exempt Bond Financing

By providing developers low-interest financing made possible by the issuance of tax-exempt bonds, the Multi-Family Tax Exempt Bond Financing Program provides affordable rental housing opportunities to lower income South Carolinians through the construction of new units or the preservation of existing units through rehabilitation.

Key Customers: Direct beneficiaries of housing produced (very low- and low-income individuals)
Intermediary Clients: Private Sector and Nonprofit Developers

HOME Investment Partnerships

The HOME Investment Partnerships Program is designed to promote partnerships between and among the public and private sectors to support a wide range of affordable housing activities from owner-occupied housing rehabilitation, to home buyer assistance, to rental unit construction, to tenant-based rental subsidy. Through a competitive process, participants receive HOME funding for rental, homeownership, and owner-occupied replacement housing. The HOME program is funded directly by the U.S. Department of Housing and Urban Development and administered for the State by the Authority.

Key Customers: Direct beneficiaries of housing produced (very low- and low-income individuals)
Intermediary Clients: Private Sector and Nonprofit Developers

South Carolina Housing Trust Fund (HTF)

The Housing Trust Fund makes financial assistance available for increasing or improving the supply of housing for the very low- or low-income citizens and families. Funds are awarded to specific properties and families who are sponsored by nonprofit entities. The non-profit sponsorship ensures that HTF funds are fully leveraged with other private and public sector funds. Funding is provided by the direct allocation of the property transfer stamp tax.

Key Customers: Direct beneficiaries of housing produced (very low- and low-income individuals)
Intermediary Clients: Private Sector and Nonprofit Developers

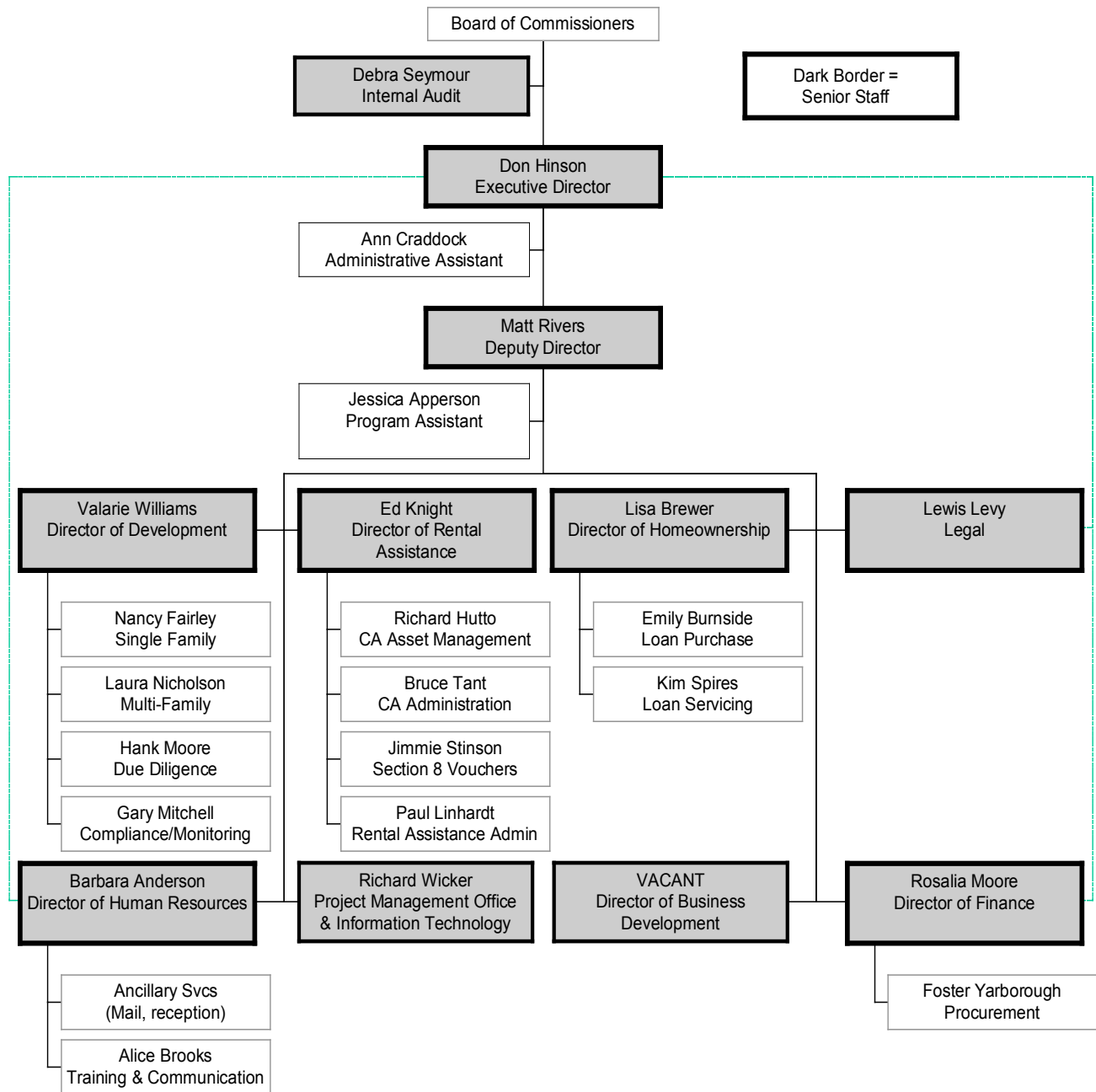
ORGANIZATIONAL STRUCTURE

The seven major programs listed above each fall into one of three Divisions: Housing Development Division (Tax Credit, Housing Trust Fund, HOME, Multi-Family Bond Finance), Homeownership Division (Mortgage Revenue Bonds), and Rental Assistance Division (Housing Choice Vouchers, Contract Administration). These three service-providing divisions are augmented and assisted by five internal support service divisions: Human Resources, Information Technology, Business Development, Legal, and Finance.

The directors of each division report directly to the Authority's Deputy Director, a position that was recently recreated (June 2003). In addition, all directors have access to the Executive Director. The Executive Director is appointed by the Board of Commissioners. The Board of Commissioners is a panel consisting of seven appointees of the Governor, a position for the

Governor or his designee, and a position for the State Commissioner of the Department of Health and Environmental Control or his designee.

South Carolina State Housing
Finance & Development Authority
Effective 7-1-03



All senior staff are part of a team,
And may have access to the
Executive Director as needed.
Dark border = senior staff

SECTION III

BALDRIGE CRITERIA

1. LEADERSHIP

1.1 *How do senior leaders set, deploy and communicate: a) short and long term direction, b) performance expectations, c) organizational values, d) empowerment and innovation, e) organizational and employee learning, and f) ethical behavior?*

a.) The Board of Commissioners provides policy direction for the Agency, and executive and senior management are responsible for translating this direction into strategic and tactical plans. Most direction is set by senior leaders during strategic planning sessions in which the Authority develops a set of goals and tactical plans created to keep the direction of the Agency aligned with the Agency's stated mission, vision, and values. Although these goals and plans are published and disseminated to all employees, it is the ultimate responsibility of all managers to communicate these goals and their importance. The most effective way in which senior leaders set, communicate, and deploy direction at the individual level is through annual review of employees' Position Descriptions and Planning Stages. This review ensures that the employee is aware of the goals of the Agency, and the responsibilities of the employee toward helping the Agency meet those goals. This year, in an effort to convey the importance of the strategic plan to the Agency's mission, managers have begun the process of integrating the strategic plan with the EPMS system.

b.) Although in the recent past performance expectations have been driven at the program and department levels, the Agency is currently undergoing changes to ensure that individual performance plans align with the overall strategic and tactical plans for the Authority. As stated above, an important step toward this is the integration of the strategic plan with the EPMS system. This step conveys the leadership's belief that acceptance and participation in the implementation of the strategic plan is expected from every individual.

c.) Organizational values are the nucleus of the Authority's operations. New employees are introduced to our core values of public trust, quality and innovation, employee focus, and customer focus at an orientation program designed to instill the importance of these values and their importance to the Agency's mission. These values are reinforced in Agency newsletters and the Employee Handbook. As role models, senior leaders display these values by remaining good stewards of public funds and resources, by always endeavoring to improve processes and services, and encouraging the same of their employees, by cultivating their employees to be contributors and treating them respectfully, and by realizing and communicating a customer focus, remembering that meeting the often divergent needs of our customers is at the center of what they do.

d.) Senior leaders empower their employees with the information, education, resources, and flexibility employees need to do their jobs to the best of their abilities. Creativity and innovation in the services (“products”) the Agency provides, the delivery of those services, and process management are encouraged through awards and recognition. An excellent example of how the Agency encourages and rewards innovation is the Employee Recognition Program. The Employee Recognition Program recognizes the outstanding performance and contributions made in carrying out the mission, vision, and values as outlined in the Authority’s Strategic Plan. The Program stresses the importance of individual contributions in productivity and teamwork. This Program recognizes the two outstanding employees of each year, and a monetary award is given to each of the recipients.

e.) Organizational and employee learning is encouraged through access to seminars and other training. All supervisors and managers are encouraged to participate in the Associate and Certified Public Manager courses and all employees are encouraged to make use of the Authority’s Tuition Assistance program. The amount of training each employee and each department receives annually is tracked by the Human Resources Division, which has concentrated much effort in the last fiscal year into creating an infrastructure to ensure continual employee development. Each employee follows an individualized training plan to ensure consistency and thoroughness.

f.) Ethical behavior standards are communicated by the actions and examples of Agency leadership, and through the employee handbook and personnel policies. Progressive discipline and proper conduct are addressed in performance reviews and on an ongoing basis as needed. Public trust is one of our four stated values in our strategic plan.

1.2 How do senior leaders establish and promote a focus on customers?

One of the Authority’s core values is a strong focus on customer service. The most notable way in which senior leadership establishes the importance of customer focus is through customer satisfaction surveys. However, because of the unique qualities of most Agency programs, surveys are typically sent to customers of a particular program or Division rather than conducted on an Agency-wide basis. Although this practice may lend to a more accurate idea of the customers’ satisfaction for a particular program area, it results in a lack of consistency from division to division and has the potential to create a less transparent accountability system, as results tend to remain in and be addressed within the program or division.

Agency leaders realize that there is a need for a more holistic, and responsive approach to addressing customer service. One step that was taken in this direction was the creation of the Business Development Division in March 2003. One of the principal purposes of this unit is to help the Agency get better in touch with its customers’ and partners’ needs. Business Development staff take part in many public speaking opportunities, and educational seminars, constantly interacting with actual and potential customers, which places them in an excellent position to receive customer feedback. In addition, Business Development makes frequent “sales calls” to our customers to ensure that our products and the delivery of our services are on target with customer needs.

1.3 What key performance measures are regularly reviewed by your senior leaders?

Again, performance measures vary widely by program. The following includes some of the key performance measures regularly reviewed by senior leaders:

- Levels of customer satisfaction

- Number of housing units produced and rehabilitated
- Development costs per square foot (as a measure of efficiency)
- Distribution of funding
- Delinquency and foreclosure ratios
- Number of loans purchased (i.e. new homeowners)
- Contract renewal turnaround times

1.4 How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?

Senior leaders regularly review findings collected as part of the EPMS process, and monitor performance measures to receive feedback on their effectiveness. In the past, when warranted, climate surveys and management reviews were conducted to gauge effectiveness of management throughout the Agency. Lines of communication continue to improve under new executive and senior leadership direction, and the issue of addressing the results of past climate surveys has become a priority.

1.5 How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?

All programs of the Authority are designed to serve the low-to-moderate income citizens of the State and most require public hearings at some point in their development and implementation.

The Agency also maintains active communications with community leaders and state legislators. Developers are required to coordinate their efforts through community leaders and local governing jurisdictions. State legislators are notified when awards have been made in their respective districts. We create broad based support through developer workshops, community and tenant meetings, partnerships, and support from the news media.

We attempt to make the public aware that our efforts have a far greater impact on the economy of the State other than just financing the home. Our programs provide incomes for the lenders, realtors, builders, appraisers, lawyers, building supply companies, and other peripheral businesses. Moreover, the housing created by these programs increases local tax bases and creates stronger, healthier, and more vibrant communities.

1.6 How does senior leadership set and communicate key organizational priorities for improvement?

Major organizational priorities for improvement are generally set and addressed through strategic planning and communicated in accordance with the strategic plan communication plans. Additional tactical-level priorities are set periodically based on market changes, customer feedback, legislative changes or other data gathered within the organization.

One of the shorter-term goals of the Agency is to implement the use of a project management system that incorporates the use of teams broadly composed of employees from across program lines to create optimum communication and buy-in for important, high priority changes.

1.7 How does senior leadership and the Agency actively support and strengthen the community? Include how you identify and determine areas of emphasis.

Providing decent, safe, and affordable housing is, by its nature, a community strengthening public service. Communities are safer, children healthier, and local economies sounder when people are allowed to live in safe, decent, and affordable homes. It is the mission of the Authority to promote and provide safe, decent, and affordable housing for the citizens of South Carolina. Every time our employees place a very-low income family in an affordable apartment, each time we are able to finance the new home of a low-income single parent, each time we help a non-profit build an affordable housing complex for elderly, disabled, or low-income individuals, the Authority is strengthening the community.

In the past, the Authority has operated as a menu of programs to which customers come and “order” from a variety of housing programs. In an attempt to become more proactive in addressing the needs of its customers, senior management commissioned the Statewide Comprehensive Housing Needs Assessment (August 2002) to identify housing supply and demand across the state. Although the report successfully illustrates the shape of affordable housing across the state, it lacks utility for some program managers. Senior leaders are currently in the process of augmenting this report with more specialized and localized data that will help program managers determine areas across the state that need targeting.

2. STRATEGIC PLANNING

As background, the Agency’s Strategic Planning process is currently undergoing a rather dramatic change. In the past, the Strategic Plan was revised almost annually, but tended to be a perfunctory, and often cursory process. In 2002, under new executive leadership, the Authority realized the need for a more detailed, thorough, and truly *strategic* plan to drive the direction of the Authority and its internal business planning processes. The Agency’s strategic planning session was only recently completed and the process is currently in the stage of prioritizing issues for which tactical plans, objectives, and measurements must be created.

2.1 What is your Strategic Planning process, including participants, and how does it account for:

- **Customer needs and expectations**
- **Financial, societal, and other risks**
- **Human resource capabilities and needs**
- **Supplies/contractor/partner capabilities and needs**

The new strategic planning session was prefaced with a period in which two employees were almost exclusively devoted to collecting data. The following is an example of the data collected in order to account for the above stated needs:

Quantitative Data

- Historical and present financial data
- Historical and present performance results
- Historic and present socio-economic demographics
- Historic and present housing data

Qualitative Data

- Political climate assessment

- Assessment of recent relevant legislation
- Identification of partners/stakeholders

After data collection was completed, it quickly became apparent what strategic issues needed to be addressed by the Agency. After compiling these issues, the issues were sent in front of the Board of Commissioners for their agreement. Next, each executive manager and his/her direct employees assembled in a setting off-site for a three-day strategic planning session, directed by outside facilitators. The group separated into breakout groups and each was tasked with deciding which “key results” it felt would result from addressing its assigned strategic issue. From there, each group was assigned several key results, which results the group was supposed to further break down into the key results into slightly more tactical “associated strategies.” All groups then reassembled and discussed and agreed upon a final list of strategic issues. On the third day, only the executive management team met with the facilitators and discussed implementation tactics.

2.2 How do you develop and track action plans that address your key strategic objectives?

The Agency is currently in the process of developing an action plan for addressing its strategic objectives. Because adherence to the strategic plan has been a problem in the past, ensuring accomplishment of established objectives is paramount. The process of developing action plans will involve small, somewhat diverse teams that will be charged with creating tactical objectives, timelines for meeting those objectives, and a mechanism to track success.

2.3 How do you communicate and deploy your strategic objectives, action plans and performance measures?

The Agency is currently in the process of developing action plans. No formal plans for communicating or deploying the plans are yet in place. However, by integrating the strategic plan with the EPMS system, a strong infrastructure has been put in place for communicating the plan and holding individuals accountable for their responsibilities. Action plans and performance measures will be developed soon and a rigorous reporting system will be implemented to measure progress.

2.4 What are your key strategic objectives?

The five strategic issues that our team addressed during the strategic planning session resulted in a comprehensive list of strategic objectives. These objectives are currently being prioritized according to importance and ease of accomplishment. The following are three initial strategic objectives (and the strategic issues they address) for which senior management has chosen to develop action plans and performance measures:

1. Strategic Issue: The State Housing Authority must expand its efforts in continuing its strategic change from being a “menu” of programs from which the public and external partners order “services”, to a more proactive advocate and resource for identifying and meeting affordable housing needs.

Strategic Objective: Refine/establish data collection methods to meet program needs

2. Strategic Issue: The role of the Authority’s Information Technology (IT) Division, as well as other support functions, must be well defined and prioritized.

Strategic Objective: Develop an IT Business Plan

3. Strategic Issue: The Authority must find ways to ensure that the dramatically different needs of divergent markets are addressed. This applies to programs, outreach efforts, and distribution of program funds. Examples of divergent markets include urban/rural, ownership/rental, race, national origin, gender, and defined special needs populations.

Strategic Objective: Look externally for available housing programs and sources of funds.

A timeline will be created to address the remaining strategic objectives.

2.5 If the agency's strategic plan is available to the public through the agency's internet homepage, please provide an address for that plan on the website.

When completed, some form of the strategic plan will be provided on the Authority's website, www.sha.state.sc.us.

3. CUSTOMER FOCUS

3.1 How do you determine who your customers are and what their key requirements are?

The enabling legislation of the various State Housing Finance and Development Authority programs mandates the beneficiary class of Authority programs and awards. The beneficiary classes range from extremely low-income (less than 30% of the area median income, or AMI) to low-income (less than 80% of the AMI), and in some cases, moderate-income individuals and families. Intermediary customers and stakeholders are determined by the services the Authority must provide in order to effectively administer its housing programs.

The Authority strives to stay abreast of customers' requirements with periodic customer satisfaction surveys and through routine customer service interaction. In addition to these, all customers are encouraged to submit suggestions, comments, and complaints to the Communications Department, either in writing, via email, or over the phone. In many instances, such as with lenders/brokers in the Homeownership Division, and builders/investors in multi-family projects, training, workshops and "wellness meetings" are held to ensure that the customers' (in this case the "intermediary customers' ") needs are being met.

The Authority is the host of *South Carolina Partners in Homeownership*, an organization consisting of over 50 partners, many of whom are customers, stakeholders, or otherwise interested parties. The primary objective of the "Partnership" is to educate each other on best practices and share relevant information. The Agency's involvement in the Partnership has placed the Agency in the middle of a unique forum, giving the Authority both the opportunity to be educated as to its customers' requirements and preferences, as well as to be the educator, providing information to its partners that will also help its end-user customers.

3.2 How do you keep your listening and learning methods current with changing customer/business needs?

In an effort to keep abreast of changes in the business environment, staff employees routinely attend Realtor[®], builder, and mortgage banking conferences and trade shows as well as the

National Council of State Housing Authorities (NCSHA) sponsored conferences to get first-hand input on customer program requirements.

3.3 How do you use information from customers/stakeholders to improve services or programs?

Information and feedback received from customers and stakeholders are often reflected in the action plans, applications, and criteria of our programs. For example, the Annual Qualified Allocation Plan for the Low Income Housing Tax Credit begins with the Agency hosting conferences through the year to solicit input from the development community. A draft plan is developed based on that input, and the plan is presented at a public hearing. Developers then may offer additional suggestions in writing before the document is finalized.

Feedback from tenants obtained by surveys and tenant meetings is also used to correct physical deficiencies with housing and problems with property management to meet customer needs. Feedback from customers is used to adjust programs.

3.4 How do you measure customer/stakeholder satisfaction?

Customer satisfaction is measured differently according to program areas. For most program areas, the primary means of measuring customer satisfaction is with surveys. Surveys are periodically submitted to customers and stakeholders. Satisfaction is then measured against past performance and, where relevant, ad hoc changes are made to address needs. At the present, there are no formal Agency-wide procedures for addressing customer/stakeholder satisfaction findings. This is an issue of customer service and accountability that will be addressed through strategic planning in the near future.

In the Rental Assistance programs, measures for customer satisfaction are prescribed by HUD in the form of performance indicators. In the case of Contract Administration, a program in which the Authority acts as a performance-based contractor for HUD, customer satisfaction is measured primarily by the determination of fees earned as a ratio of potential fees. In this case, the maximization of fees is the truest indicator of performance. The Voucher Program uses 14 key performance indicators (again, prescribed by HUD), which result in a good indication of customer satisfaction.

3.5 How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.

The Authority hosts a statewide conference annually and holds public hearings for most of its programs. The conference and hearings bring affordable housing stakeholders together to network, share ideas, and develop business strategies that can be replicated in communities across the state to expand and improve housing opportunities for modest income South Carolinians. The Authority works closely with numerous nonprofit and for-profit organizations, as well as other state and federal agencies to enhance their capacity as housing development partners and advocates. The Agency provides training opportunities, housing development capital, organizational support, and in-kind contributions to these entities that are essential to the state's housing delivery system. The annual housing conference also features a Housing Achievement Awards ceremony that honors outstanding individual and organizational contributions to affordable housing. Additionally, our Children's Coloring and Essay Contest provides an opportunity for the children of families living in Authority-financed homes or apartments to be recognized for their creative expressions of gratitude for having a safe, decent place to live. Staff

fundraising activities to support the Children's Contest have also proved to be morale boosters for the Agency.

The Agency believes that the key to building and maintaining positive relationships is doing a job accurately and timely, listening to our customers, and making every attempt to satisfy and meet their needs. HUD, the IRS, and other regulatory agencies are primarily interested in compliance with rules and regulations and timely reporting. Property owners and managers look for correct and timely payments and consistent application of the rules. Customers demand and have a right to confidential, accurate, timely, and courteous service. Lenders, Realtors®, developers, and builders are satisfied by a quick turn around time and our willingness to work with them on problem loans.

4. INFORMATION AND ANALYSIS

The Authority programs must meet monitoring and reporting mandates, external audits, and reviews from third parties on a scheduled basis. These third parties include HUD/FHA, the IRS, and bond rating agencies. The monitoring encompasses such items as general eligibility compliance, financial strength, fiscal responsibility, and tax matters. The Agency has stringent measures in place, including management and/or senior management reviews of findings as needed, to ensure that all of these requirements are met. Due to the requirements of third parties, the Authority documents program processes and utilizes direct feedback to maximize the efficiency of programs for stakeholders, business partners, and customers. The Agency expanded its monitoring and information dissemination efforts to include such items as progress toward strategic and tactical goals, customer satisfaction, and internal process performance.

4.1 How do you decide which operations, processes and systems to measure?

Internal and external needs as well as national standards define most of the operations, processes and systems the Authority measures. For example, the delinquency rate and the foreclosure rate are critical to the Mortgage Servicing program, and must be kept low to protect the Authority's assets. These two items are measured and reported monthly.

4.2 How do you ensure data quality, reliability, completeness and availability for decision-making?

Data quality, reliability, completeness and availability for decision-making is ensured in the following ways:

- All program inputs and outputs are reviewed on an annual basis.
- Financial data is systematically reconciled.
- External auditors audit the Authority's financial records annually.
- The Authority's internal auditor evaluates and verifies data accuracy and availability.
- Work done by contractors is verified or reviewed annually.
- All Section 8 tenants are re-certified annually and have their income verified directly by the source.
- TANF (formerly Aid to Families With Dependent Children, AFDC), Child support and Social Security benefits are verified via computer link with the SC Department of Social Services.

- Contract Administration and Tax Credit compliance require that a sample of tenant files be reviewed for proper and timely income verification, appropriate rent levels and number of units set aside for the beneficiary class.

To ensure data quality and reliability, the Authority integrates information technology via various software products into most of its business processes. The automated systems have edits and verifications designed into the software to detect errors and/or inaccurate data.

The Agency's intranet provides information and various other services to all employees. The internet functions for customer solutions include, but are not limited to, communicating our employment policies and procedures, processing leave requests and approvals, scheduling, reserving presentation equipment and meeting rooms, taking telephone messages, and other routine office tasks.

Similar information services are offered to our external customers using our Internet site and secure extranet site, designed by our business partners. Lenders who initiate Agency-funded home loans can reserve funds and receive instant feedback on the status of loan reservations that are being processed by the Loan Purchase Department. Developers attending our training events and conferences can register for these events on-line. Application forms and instruction manuals for the Agency's various housing programs are available on-line, with many forms that can be filled out and submitted on the website.

4.3 How do you use data/information analysis to provide effective support for decision-making?

The Authority annually reviews programmatic data to make and justify changes in the program areas. The analysis of information received allows those in decision-making positions to:

- Ensure compliance with program eligibility requirements.
- Assess and adjust program policies and procedures to meet customer and stakeholder needs.
- Determine any needed action for performance improvement.

Develop future plans include performing historical analysis of costs to use the data to pinpoint areas that may be underserved or overbuilt.

5. HUMAN RESOURCES

The Authority places a high premium on the collective knowledge and experience of its staff, and continues to make investments in staff training. In order to continue to expand that knowledge base, the Authority is committed to improving internal communication channels. Goals and objectives for individual staff members must also be reviewed to ensure that they are in line with the overall strategic plan for the organization.

5.1 How do you and your managers/supervisors encourage and motivate employees (formally and/or informally) to develop and utilize their full potential?

The Authority's Employee Recognition program recognizes two outstanding employees per year. These employees, nominated by their peers, receive a \$1,000 bonus. The selection committee is

comprised of former winners of the program. The Authority hosts an Employee Recognition luncheon during Public Employee Recognition Week.

The Authority also hosts fundraising activities to build morale and assist the Coloring Contest Committee, as well as a very successful "Christmas in July" food drive to assist Harvest Hope Food Bank's Emergency Pantry Program. Other incentives to build morale are flexible work hours, casual workdays on Fridays, and an after-work golf league that crosses agency program lines.

5.2 How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training?

After conducting a training needs assessment, the agency has developed an individualized training plan for agency employees. The plan is reviewed by senior managers annually and is updated to address technological and industry training trends. Training data indicates training levels have remained constant in the midst of shrinking budget dollars (see 7.3). The agency is committed to maintaining employee development. The Authority increased training hours in FY 2001 due to increased efforts to train our staff on new computer programs and an agency initiative to train several staff on a conversational Spanish class. The training hours increased in FY 2002 due to a concerted effort to train new hires in contract administration and rental assistance on technical training of the area.

The Authority introduced a new orientation-training program that explains the different program areas of the department. The agency provides this training each quarter for new hires, and supplements the training with the Office of Human Resources' orientation training module for new hires to State government.

The Authority continues to provide tuition assistance. Six employees participated in the program this year.

Over 90% of the agency has completed the driver-training program. Over the past fiscal year, 17 employees received safe driver awards. The agency logged 385,230 miles during FY 2003.

Supervisors are required to complete the Associate Public Manager (APM) certification, and all employees on the management team are encouraged to complete the Certified Public Manager (CPM) program. The Authority has nine CPM graduates and two employees are currently enrolled in the program. Senior managers are encouraged to complete the Executive Institute Program. Seven employees from the agency have completed the Executive Institute.

5.3 How does your employee performance management system, including feedback to and from employees, support high performance?

The Authority instituted a new combined PD/EPMS form this year to ensure that all employees are aware of duties on their PD and EPMS. Continuous communication between employee and supervisor is directed. Employees participate in the drafting of the combined planning document and are encouraged to make suggestions where appropriate. One other successful component of our EPMS system is a universal review date that ties employee reviews more in line with the annual accountability report timeframes.

5.4 What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?

The Authority received no EEOC complaints this year. The two employee grievances were settled through mediation. The Human Resources Director conducts oral exit interviews with each departing employee to measure satisfaction and assess agency weaknesses and strengths. Exit interviews have indicated that the Authority is a good place to work. Tuition assistance and flexible work hours allow employees to balance work and professional development needs.

5.5 How do you maintain a safe and healthy work environment?

Employees are encouraged to seek Job Retention Services (JRS) when their jobs are in jeopardy due to outside conditions or disabilities. The JRS program allows employees to overcome their difficulties while they stay on the job. The Authority offers health screenings, flu shots on-site, mammography on-site, a lunchtime walking club, and on-site CPR training.

5.6 What is the extent of your involvement in the community?

The Authority sponsors Red Cross Blood Drives, Christmas in July to stock Harvest Hope Food Bank, Good Health Appeal, and aggressively campaigns for the United Way. The agency also promotes National Homeownership Month. The Authority is involved with 66 outreach and communication activities to spread information about our programs to the community.

6. PROCESS MANAGEMENT

Most of the processes within in the respective program areas are primarily driven by State and Federal requirements. However, the Authority's senior management is committed to reviewing all internal processes to ensure efficiency and eliminate any unnecessary gaps and/or redundancies.

6.1 What is your key design and delivery processes for products/services, and how do you incorporate new technology, changing customer and mission-related requirements, into these design and delivery processes and systems?

After assessing customer requirements and how those requirements can be met within the guidelines of applicable state and federal laws and regulations, Agency staff work with focus groups and committees to determine the most efficient method of delivering our programs, and communicate updated information about current programs.

The Agency evaluates and ranks Low Income Housing Tax Credit (LIHTC) proposals and delivers tax credits for housing to serve qualified tenants. We take advantage of all opportunities to utilize technology to better our processes by publishing data and providing LIHTC and HOME applications on our website.

The primary mission of the tenant-based and contract Administration programs is to pay rental subsidies for eligible clients in eligible units. The tenant-based program utilizes Yardi software; Contract Administration utilizes Housing Development Software (HDS). These software systems

offer more accurate and complete reporting by enabling timely payments, and checking for eligibility.

The underwriting process in the Loan Purchase Department is designed to respond to the lender within three business days. All loan documents are reviewed, with the use of a check-off sheet, in order to speed the process and assure all required documents are in the file. The loan information is entered into the AOD software for loan tracking, loan approval and purchase. A similar process is used in Mortgage Servicing in that lenders are required to follow the check-off sheets in order to deliver the servicing file in a complete and orderly manner. The Lender-On-Line software allows participating lenders to enter reservations and to view loan status information and reports online. The use of this software has eliminated delay problems that were present under the old manual system. Savings to the Authority can be measured by the reduction of clerical workload. Eliminating the manual reservations system reduced the number of phone calls therefore eliminating the need for an additional program person.

6.2 How does your day-to-day operation of key production/delivery processes ensure meeting key performance requirements?

In order to meet the Agency's mission to provide safe, decent, affordable housing to South Carolinians, staff must ensure that customers have access to programs funded and administered by the Agency. External auditors ensure that program guidelines are being adhered to by conducting audits in each program area. The Authority also has an internal auditor that has done work in some programs and support areas to identify weaknesses and provide suggestions for improvement.

All staff receive professional training on the compliance requirements of each program. Many of these training programs require certification examinations. Each area contains clerical, management and software edits to strengthen compliance with Agency policies and procedures.

6.3 What are your key support processes, and how do you improve and update these processes to achieve better performance?

The Authority's internal support processes (human resources, information technology, finance, and procurement) collaborate to coordinate processes of program areas and Authority staff. The strategic plan incorporates process review and updates.

6.4 How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?

The staff in the Procurement Department strive to procure all supplies, services, and equipment in compliance with the South Carolina Consolidated Procurement Code. They work in conjunction with the Materials Management Office (MMO) in purchasing supplies, furniture, various services, and in conjunction with the Office of State Chief Information Officer (CIO) in purchasing products and equipment relating to information technology. The staff in the Procurement Department constantly strive to recruit new vendors, particularly minority-owned vendors, for the purpose of enhancing the goals of the Authority's annual Minority Business Utilization Plan.

In addition, the Information Technology department works with our software vendors to provide user input regarding needed improvements. The Information Technology Department purchases

off of State Contract as much as possible. Like all agencies, we strive to buy in-state as much as financially feasible in an effort to assist our local economy.

7. BUSINESS RESULTS

The Authority's efforts to promote and provide housing opportunities for low- to moderate-income South Carolinians last year were productive. Noteworthy accomplishments for the year include:

- Assisted 60,594 South Carolinians with their housing needs
- Provided over \$294 million in direct assistance
- Helped push South Carolina's homeownership rate to 77.3%, a rate that continues to surpass the national rate of 67.9%
- Rated "Aa" by Moody's Investor Service
- Generated 12,709 construction jobs
- Generated \$114 million in state and local revenue
- Provided rental subsidies for over 20,000 very-low income families and individuals
- 3.6% Cost to production ratio

The Agency staff continue to increase productivity in all program areas.

7.1 What are your performance levels and trends for the key measures of customer satisfaction?

Agency divisions measure customer and stakeholder satisfaction in different ways:

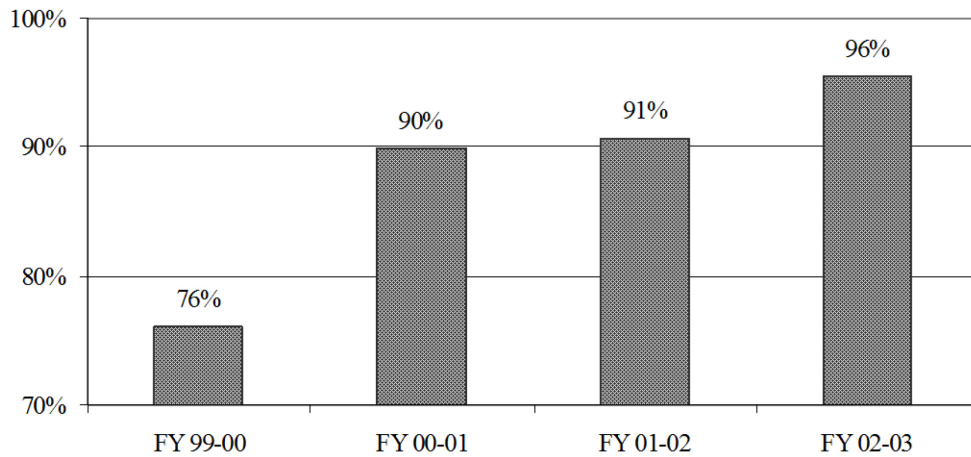
Section 8 Housing Choice Voucher Program

The Housing Choice Voucher Program (HCV) has two primary customers, participants and rental property owners, and one primary stakeholder, HUD. The Authority's performance for each of these three customer groups is measured.

Customers:

Almost 2,500 families participate in the HCV Program. The number of Vouchers and budget available from HUD limits participation. The Authority re-certifies a family's eligibility, income and expenses and the unit's condition at least annually. The Authority surveys participants to determine the level of customer support/satisfaction (See Graph 7.1a.).

Housing Choice Voucher Participant Satisfaction



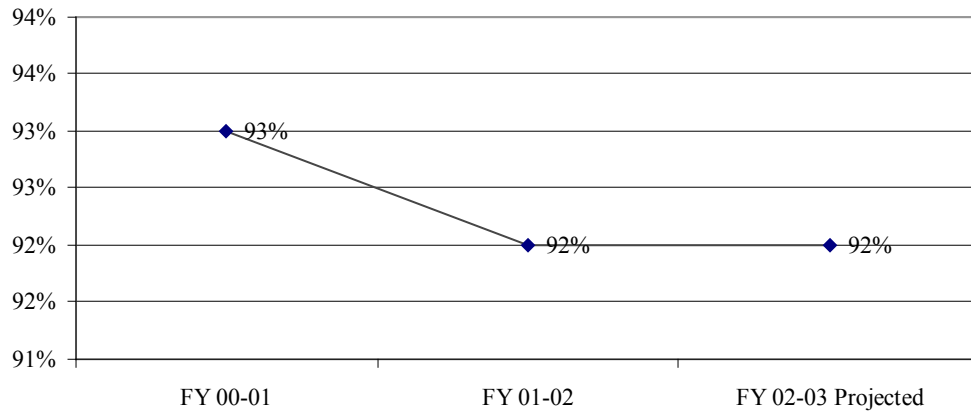
Graph 7.1a

Approximately 500 property owners/apartment complexes rent units to Voucher participants. The units are inspected based on HUD Housing Quality Standards (HQS) at least annually. The Authority began surveying owners during FY 02-03 and found over 90% satisfaction with the Authority. We plan to continue annual surveys to track performance.

Stakeholders:

HUD established a grading system for Housing Authorities (HA) that administer the Voucher Program. The Section Eight Management Assessment Program (SEMAP) measures 14 indicators of program success covering compliance, timeliness, unit inspections and occupancy. HUD issues grades to HAs from 1 to 100. HAs scoring between 90 and 100 are considered “High Performers”, 60 and 89 are categorized as “Standard Performers” and less than 60 are considered “Troubled”. “Troubled” PHAs may be sanctioned or their operations taken over by HUD. SEMAP issued grades during FY 00-01 for the first time (See Graph 7.1b).

HUD SEMAP Score

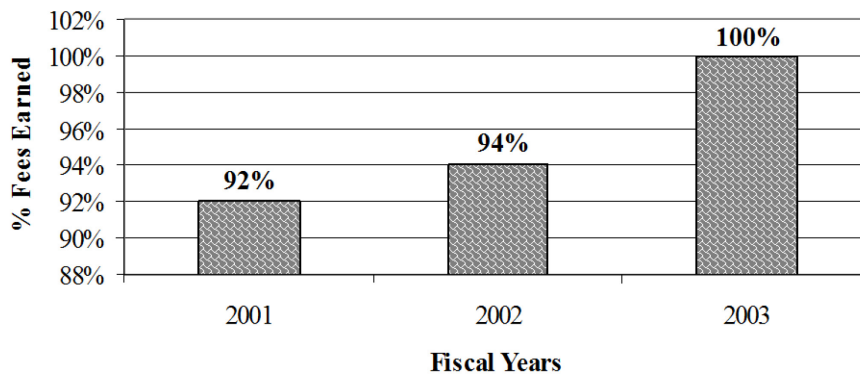


Graph 7.1b

Section 8 Contract Administration

Customer satisfaction is measured primarily by the determination of fees earned as a ratio of potential fees. We are a subcontractor for HUD. They have created very specific accountability measures to include performance timeframe requirements. Maximization of fees is the truest indicator of performance. For example, tenant complaints of a life threatening nature require our office to respond within 1 hour of receipt of the complaint. If this deadline is missed we are charged with a “disincentive” or reduction in fees. The chart titled “Percentage Administrative Fees Earned Fiscal Years 2001 – 2003” (See Graph 7.1c) provides the amount of fees earned as a percentage of potential monthly earnings.

% Administrative Fees Earned Fiscal Years 2001-2003



Graph 7.1c

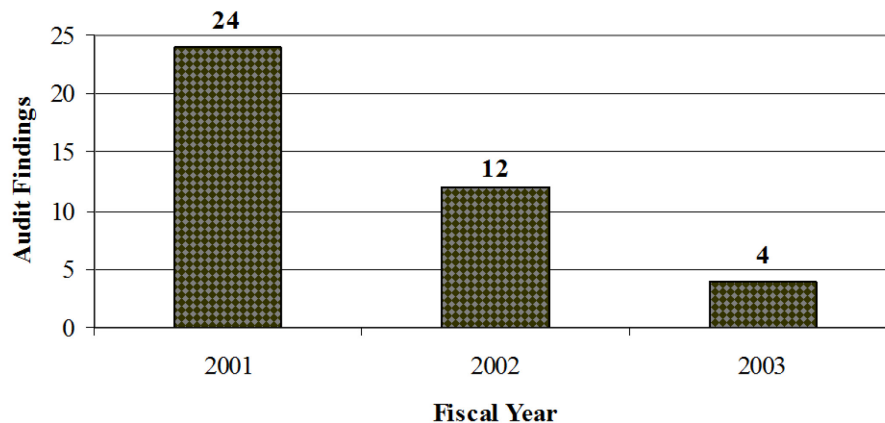
The contract allowed an initial grace period in which 100% of fees were paid to our agency regardless of performance. The performance-based contract requires the timely completion of 16 core tasks. These tasks are:

1. Management & Occupancy Review
2. Documenting Owner Civil Rights Compliance
3. Processing Rental Adjustments
4. Owner Opt-Out Notices and Contract Terminations
5. Owner Opt-Out and HAP Contract Termination: Submit resident data to HUD
6. Review, Verify, and Authorize Monthly Section 8 Vouchers
7. Notice of Corrective Actions
8. Monitoring & Reporting Owner's follow-up efforts on discrepancies identified as a result of tenant income matching initiatives.
9. Life-threatening Health & Safety Issues
10. Non-life-threatening Health & Safety issues
11. Budgets, Requisitions, Revisions
12. Year-end Statement
13. Public Housing Agency Audit
14. Renewals of Expiring HAP Contracts
15. General Reporting Requirements
16. Monitoring Physical Inspection Results

Completion of core tasks involving electronic payments to owners and renewals of subsidy contracts required that owners make system preparations and provide information to our staff. Many owners did not make necessary system changes in a timely manner or were slow to provide information to staff. This combined with the lack of a system to provide for task prioritization and issues with private contractors hired to obtain data resulted in early fee losses. Property owners have updated or established systems that allow timely electronic funds transfers that have eliminated fee losses in this area. Contract Administration staff have implemented the use of tracking and prioritization spreadsheets to efficiently process subsidy contract renewals. These changes have resulted in fee maximization over the last 16 months.

Another indication of staff effectiveness or customer satisfaction is the Annual Compliance Review. This review is an audit performed annually by HUD in relation to the Contract Administration performance-based contract. The chart titled "Annual Compliance Reviews" (See Graph 7.1d) indicates the results of the first three years of this contract. Audit findings have significantly decreased over this period. The most recent audit report was concluded with this comment: "This is the third Annual Compliance Review of this PBCA (Performance-Based Contract Administrator). We have seen significant improvement each year. This Compliance Review reflects a PBCA that is performing at a high level."

Annual Compliance Reviews



Graph 7.1d

We also continue to enhance customer satisfaction as we build positive working relationships with HUD by responding quickly and courteously to requests for information. We continually demonstrate a willingness to meet with them to discuss implementation of regulatory changes. Positive working relationships are developed with HUD and Owners as we demonstrate our program competency. All CA staff are required to successfully complete third party sponsored training. We also meet monthly as a staff to discuss issues and best practices. In addition, Contract Administration Staff is always represented at user group meetings sponsored by our primary software provider. Strong relationships are developed with tenants by responding to their complaints within the timeframes established in our performance-based contract.

Homeownership – MRB

In Loan Purchase, turn around time is used as an indicator of customer satisfaction. Lenders and Realtors® are generally satisfied when turn around time is three days or less.

Customer satisfaction in the Mortgage Servicing Department is measured by the number of complaints received from homeowners concerning errors in the department in our escrow accounting and default record keeping areas. The Mortgage Servicing Department monitors complaints about errors in property taxes, insurance, and payoffs as a guide.

Although the Mortgage Servicing Department currently keeps a ledger of the more formal customer complaints, the Department will soon establish a system that will allow employees to more easily capture all customer complaints and inputs, which will create a more measurable idea of customer satisfaction. This will result in an increased ability to identify any weaknesses in service delivery.

7.2 What are your performance levels and trends for the key measures of mission accomplishment?

The South Carolina State Housing Finance and Development Authority is the State's single largest public developer of affordable multi- and single-family housing. Resources available to the Agency were invested in a wide range of programs to help address growing demand for

affordable housing across South Carolina. The State's housing assistance activities included homeownership (mortgage) and down payment loan assistance, single and multi-family housing development, preservation, rental and utility payment assistance, and special needs housing development for the very low-income, homeless, disabled and elderly.

According to the most recently available census data, South Carolina had a homeownership rate in 2002 of 77.3%. This is significantly higher than the national average of 67.9% and ties the state with the highest homeownership rate, Minnesota. In the Southeast, South Carolina continues to lead the region in homeownership, as evidenced in table 7.2a below.

HOMEOWNERSHIP RATES IN THE SOUTHEAST 1997-2002

	1997	1998	1999	2000	2001	2002
South Carolina	74.1	76.6	77.1	76.5	76.1	77.3
Alabama	71.3	72.9	74.8	73.2	73.2	73.5
Florida	66.9	66.9	67.6	68.4	69.2	68.7
Georgia	70.1	71.2	71.3	69.8	70.1	71.7
North Carolina	70.0	71.3	71.7	71.1	71.3	70.0
Virginia	68.4	69.4	71.2	73.9	75.1	74.3
National Average	65.7	66.3	66.8	67.4	67.8	67.9

Table 7.2a

By using tax-exempt mortgage revenue bond proceeds and Agency-generated funds, the Authority works with participating lenders to offer low- to moderate-income, first-time homebuyer loans with affordable, below-market interest rates. During the fiscal year, the Authority purchased a total of 985 mortgages, totaling over \$ 51M (See Table 7.2b).

HOMEOWNERSHIP PROGRAMS Mortgage Loans Purchased

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
MRB Program	\$15,540,655	\$83,500,909	\$67,353,530	\$61,721,394	\$48,963,976
Special Programs	\$17,355,320	\$33,816,384	\$9,274,272	\$23,807,772	\$2,246,811
Total	\$32,895,975	\$117,317,293	\$76,627,802	\$85,529,166	\$51,210,787
First Mortgages	536	1,703	1,090	1,089	635
Second Mortgages	353	778	449	238	350
Total	889	2,481	1,539	1,327	985

Table 7.2b

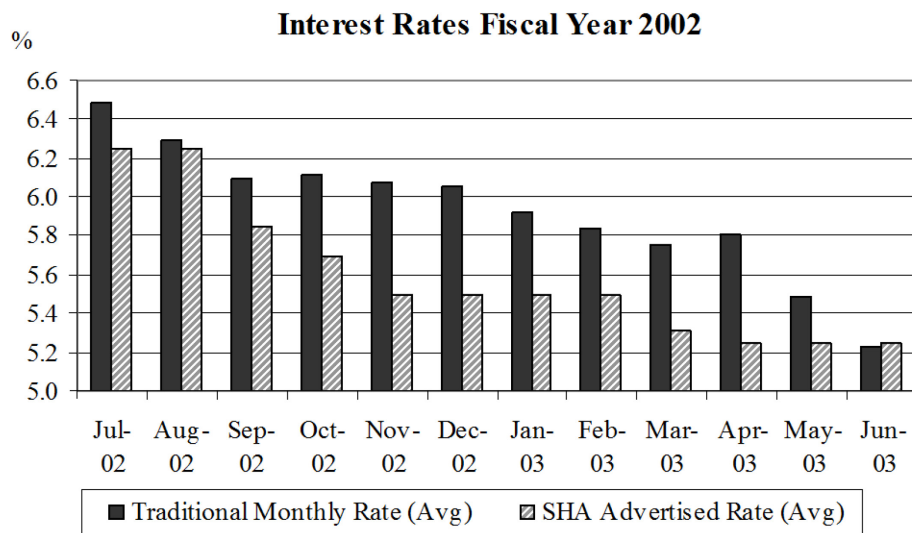
The decline in loans purchased compared to the last few years is largely a result of the low market rates experienced this year, the result of which made our low rates less attractive than during times of higher market rates.

As indicated below (see Table 7.2c and Graph 7.2a), the SCSHFDA interest rate has been near market rate during this fiscal period. Our advantage has been in the Down Payment Assistance loans we offer. Over half of the individuals or families who purchased first mortgages also participated in one of the Down Payment Assistance programs.

Interest Rates (%) During Fiscal Year 2002

	Traditional Monthly Rate (Avg)	SHA Advertised Rate (Avg)
Jul-02	6.49	6.25
Aug-02	6.29	6.25
Sep-02	6.09	5.85
Oct-02	6.11	5.69
Nov-02	6.07	5.50
Dec-02	6.05	5.50
Jan-03	5.92	5.50
Feb-03	5.84	5.50
Mar-03	5.75	5.31
Apr-03	5.81	5.25
May-03	5.48	5.25
Jun-03	5.23	5.25

Table 7.2c



Graph 7.2a

The Authority's portfolio contains a total of 12,339 first and second mortgages that are serviced by five (5) private sector providers in addition to Authority in-house servicing. The in-house department services the complete portfolio of second mortgages (See Tables 7.2d and 7.2e).

HOMEOWNERSHIP PROGRAMS

Loan Administration

Mortgage Loans Managed

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003

Principal Balances	\$ 397.7M	467.1M	491.4M	528.8M	500.3M
Number of Mortgages	9,380	10,180	10,385	13,266	12,339

Table 7.2d

HOMEOWNERSHIP PROGRAMS
In-House Mortgage Loan Servicing
Mortgage Loans Serviced

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
First Mortgages	5051	6068	6591	6784	6704
Second Mortgages	2201	2846	2974	2827	2731
TOTAL	7252	8914	9565	9611	9435

Table 7.2e

The Mortgage Servicing Department has set a goal to keep Agency foreclosure ratios below that of the Mortgage Bankers Association of America. The Authority has maintained a ratio below that of the MBAA for several years. In 2003 a staff position was devoted to our 30-day delinquencies in an effort to further lower our default and foreclosure rates.

Rental Assistance (Section 8) Programs

Over 20,000 families receive housing assistance through the Authority's administration of the HUD Section 8 Project-based (Contract Administration) and Tenant-based (Housing Choice Vouchers) programs. Tenants pay approximately 30% of their income toward rent and the remainder is subsidy. During fiscal year 2002-2003 this subsidy amounted to over \$96 million dollars.

	2000-2001^A	2001-2002	2002-2003
Families assisted	18,591	19,163	20,265
Subsidy Payments	\$21,741,877	\$75,542,813	\$96,804,747

Table 7.2f

Note A – fiscal year 2000-2001 was a transition year for Contract Administration. During most of the year, HUD made the subsidy payments directly.

HOME Investment Partnership Program

The following tables (See Table 7.2g and 7.2h) show the awards made by the HOME program during fiscal years 1999 to 2001. Information for fiscal year 2002 will be available in the spring of 2004.

Table 7.2g

Fiscal Year	Program Activity	Total Awards Made	Total Amount of Awards	Total Number of HOME units
1999	Homeownership	16	\$3,782,852	249
2000	Homeownership	14	\$2,701,526	205
2001	Homeownership	9	\$2,007,421	213
1999	Lease/Purchase	4	\$1,150,000	54
2000	Lease/Purchase	2	\$570,000	86
2001	Lease/Purchase	1	\$300,000	15
1999	Rental	17	\$6,075,161	270
2000	Rental	11	\$4,479,525	248
2001	Rental	21	\$7,080,191	476

Table 7.2h

Distribution of HOME Funds Over the Past 3 Years:

FY 1999

24 of the 46 counties received funding. Based on the division of the state as Upstate, Midlands, and Low Country, 27% of HOME funding was awarded to counties in the

Fiscal Year	Total Awards Made	Total Amount of Awards	Total Number of HOME units
1999	37	\$11,008,013	573
2000	27	\$7,751,051	539
2001	31	\$9,387,612	704

upper part of the state, 29% was awarded to counties in the Midlands and Pee Dee areas of the state, 27% were awarded to counties in the Low Country.

FY 2000

18 of the 46 counties received funding. 33% of HOME funding was awarded to counties in the upper part of the state, 21% was awarded to the Midlands and Pee Dee area of the state, 15% was awarded to counties in the Low Country.

FY 2001

20 of the 46 counties received funding. 29% of HOME funding was awarded to counties in the Upstate, 10% was awarded to counties in the Midlands and Pee Dee area, 27% was awarded to the Low Country.

County Categories

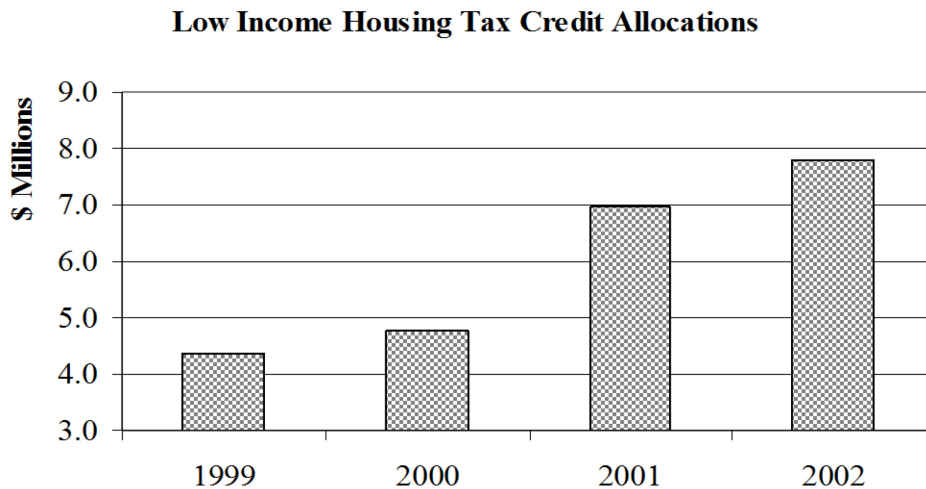
Upstate		Midlands		Low Country	
Abbeville	Anderson	Aiken	Barnwell	Allendale	Bamberg
Cherokee	Chester	Calhoun	Chesterfield	Beaufort	Berkeley
Fairfield	Greenwood	Darlington	Dillon	Charleston	Clarendon
Greenville	Laurens	Edgefield	Florence	Colleton	Dorchester
McCormick	Newberry	Florence	Kershaw	Georgetown	Hampton
Oconee	Pickens	Lancaster	Lee	Horry	Jasper
Spartanburg	Union	Lexington	Marlboro	Marion	Orangeburg
York		Richland	Sumter	Williamsburg	

- Of the 51 awards that were made with 2001 funding, 70% of the award recipients had never participated in the program previously.

NOTE: The fiscal year information reflects the year in which the state received the allocation. Actual production information is reflected in the next calendar year. Example: FY 2001 production is actually reflected in 2002 calendar year accomplishments.

Low Income Housing Tax Credit Program

The significant increase in tax credit dollars allocated in the year 2002 is a result of an increase in the per capita amount of credit that was passed by Congress in late 2000. This legislation increased the amount of credit from \$1.25/person to \$1.50/person in 2001 and to \$1.75/person in 2002 (See Graph 7.2b).



Graph 7.2b

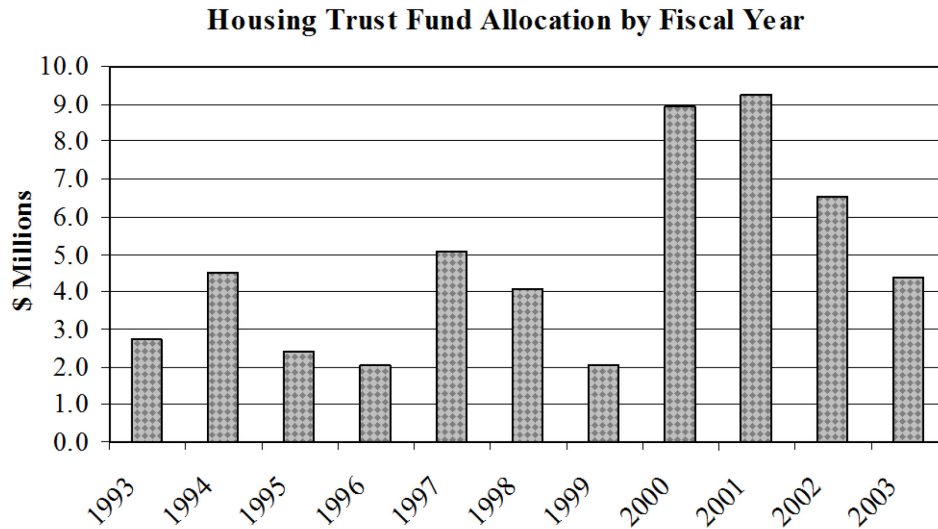
Year	Tax Credits Allocated	# Developments	Rental Units
1999	4,354,067	17	810
2000	4,782,482	17	825
2001	6,958,405	28	1,312
2002	7,812,886	29	1,220

Table 7.2i

Tax credit funding of \$7,812,886 was awarded in 2002. These tax credits are sold to investors generating approximately \$60,940,000 in equity to be used for the construction and rehabilitation of low-income rental developments. The 29 developments awarded in 2002 will produce 1,220 rental units serving 3,980 citizens of South Carolina.

Housing Trust Fund

Housing Trust fund awards were made throughout the state with a total of \$6,498,867 awarded in 2002 and \$4,393,813 in 2003. There were 296 awards made in 37 counties during 2002 and 396 awards were made in 30 counties during 2003. (See Graph 7.2c).



Graph 7.2c

The decrease in awards funded beginning in 2002 was deliberate as Housing Trust Fund restricted awards in an effort to ensure that the Housing Trust Fund did not become depleted, as the revenue source for the fund is economy-driven based on real estate transfers (See Table 7.2j).

Housing Trust Fund Allocation by Fiscal Year

Fiscal Year	Trust Fund Amount \$
1993	2,743,843
1994	4,497,893
1995	2,410,751
1996	2,012,386
1997	5,065,974
1998	4,081,737
1999	2,045,788
2000	8,950,417
2001	9,241,607
2002	6,498,867
2003	4,393,814
Total	51,943,078

Table 7.2j

The following tables list the awards made by the Housing Trust Fund over the past three fiscal years:

Fiscal Year	Program Activity	Awards Made	Units Produced
-------------	------------------	-------------	----------------

2001	Group Homes	15	15
2002	Group Homes	5	5
2003	Group Homes	4	4
2001	Homeownership (includes Land Acquisition)	86	170
2002	Homeownership (includes Land Acquisition)	89	175
2003	Homeownership (includes Land Acquisition)	145	183
2001	Multifamily Rental	26	252
2002	Multifamily Rental	12	130
2003	Multifamily Rental	7	42
2001	Owner Occupied (includes Emergency Repair)	460	460
2002	Owner Occupied (includes Emergency Repair)	177	177
2003	Owner Occupied (includes Emergency Repair)	137	137
2001	Shelters	2	70
2002	Shelters	2	8
2003	Shelters	1	11
2001	Special Projects	2	16
2002	Special Projects	2	84
2003	Special Projects	1	15
2001	Transitional Housing	2	20
2002	Transitional Housing	2	6
2003	Transitional Housing	1	4

Table 7.2k

Fiscal Year	Awards Made	Units Produced
2001	593	1,003
2002	289	585
2003	296	396

Table 7.2l

Distribution of funding over the past 3 years:

- FY2001- 43 of the 46 counties received an award
- FY2002- 46 of the 46 counties received an award
- FY2003- 29 of the 46 counties received an award

Comparison of the number of new recipients over the past 3 years (FY2001- FY2002):

There have been approximately 8-12 new organizations added during the last three years. Many of the new organizations are Habitat for Humanity groups that have heard about the success of other Habitat groups participating in the Trust Fund Program. Additionally, nonprofit groups have started to utilize the Trust Fund Program, and have recently developed into some of the most frequent recipients of Trust Fund awards.

7.3 What are your performance levels and trends for the key measures of employee satisfaction, involvement and development?

The Agency has adapted a program to provide tuition assistance for its permanent employees. The purpose of the program is to develop a better-educated workforce and to provide job

enhancement opportunities for the employees within the Authority. Tuition assistance is provided for employees to attend courses that are directly related either to the employee's position, to a position to which the employee could progress, or which is part of a planned degree program in a field that is related to the Authority's mission. During fiscal year 2002-2003, six employees received tuition assistance from the Agency.

The following tables (see Table 7.3) show training, turnover, and leave data for the agency. A comparison of annual and sick leave between the Authority and Vocational Rehabilitation is provided.

Human Resource Data

Training Hours

	FY 2001	FY 2002	FY 2003
Total	3997	3343	3564
Average	36.7	28.8	31.3

Turnover Data

	FY 1999	FY 2000	FY 2001
Agency	8.24%	12.20%	7.40%
State	14.67%	18.30%	12.39%

Annual Leave (SCSHFDA vs. Vocational Rehabilitation)

	FY 2001	FY 2002	FY 2003
SCSHFDA	106.58	117.34	122.78
VR	107.00	111.00	117.00
Difference	0.42	6.34	5.78

Sick Leave (SCSHFDA vs. Vocational Rehabilitation)

	FY 2001	FY 2002	FY 2003
SCSHFDA	79.46	83.95	72.58
VR	65.00	72.00	72.00
Difference	14.46	11.95	0.58

Table 7.3

7.4 What are your performance levels and trends for the key measures of supplier/ contractor/ partner performance?

The Authority's ability to expand housing and homeownership opportunities depends on the quality and diversity of its relationships. The Authority's many public-private as well as public-public partnerships have expanded affordable housing choice statewide. The successful business

alliances and development partnerships cultivated and maintained over the Agency's history have led to substantial capital investment and quality of life improvements. Strategic alliances were key to many of the Authority's proudest achievements during the past fiscal year. More recently creative public-private partnerships have enabled the Authority to extend its reach into many of the state's hardest-to-serve or disenfranchised communities. The Authority was able to increase capital investments in many rural, high-cost urban and coastal, and low-income areas of the state due to effective partnerships. The Authority routinely partners with other public agencies at the federal, state, regional and local levels to design and deploy programs and services, and to improve business processes. A shared sense of purpose and efficiencies achieved through resource sharing and collaboration has led to significant improvements in housing conditions, affordability, and choice statewide.

The Authority's alliances with the Governor's Office, Department of Commerce, U.S. Department of Housing and Urban Development (HUD), Veteran's Administration, SC Low Income Housing Coalition, Local Public Housing Authorities (PHAs), Community Development Corporations (CDCs), Community Action Agencies (CAAs), Home Builders Association, Councils of Government (COGs), Habitat for Humanity, Manufactured Housing Institute, USDA Rural Development, Human Affairs Commission, Department of Mental Health, DSS, DHEC, Department of Consumer Affairs, Commission for Minority Affairs, Department of Disabilities and Special Needs, Fannie Mae, banks, other financial institutions, industry and trade organizations, and many other agencies have led to the creation of new or enhanced housing initiatives as well as process improvements. Other specific examples include, the South Carolina Partners in Homeownership, Governor's Task Force on Affordable Housing, Interagency Coordinating Council for Affordable Housing and Community Development, State HOME Program and the South Carolina Housing Trust Fund Advisory Council.

7.5 What are your performance levels and trends for the key measures of regulatory/legal compliance and citizenship?

The administration of the Authority is responsible for establishing and maintaining a system of internal control over its transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The Authority is subject to a number of reviews and audits performed by external parties to ensure compliance to laws, regulations and program guidelines. In addition, the Authority established an internal audit function in fiscal year 2001-2002 that performs audit work that includes verifying compliance with policies and procedures and aims to provide suggestions for efficiency and effectiveness improvements.

The annual financial audit of the Authority conducted by Rogers & Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor, for the fiscal year ended June 30, 2002 resulted in an unqualified (clean) audit opinion. Because the Authority administers several major federal programs, this audit included testing to ensure compliance with federal laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. There was one finding of noncompliance that was required to be disclosed under Government Auditing Standards. This finding did not affect financial statement amounts and corrective action has been taken.

The Authority also is subject to several annual program reviews/audits that are performed by the U. S. Department of Housing and Urban Development (HUD). The results of these reviews were all favorable with only minor findings.

The Office of Human Resources of the State Budget and Control Board conducted an audit of our delegated transactions for the fiscal year ended June 30, 2002. We were found to be in compliance with our agreement and no recommendations for improvements were made.

7.6 What are your current levels and trends of financial performance?

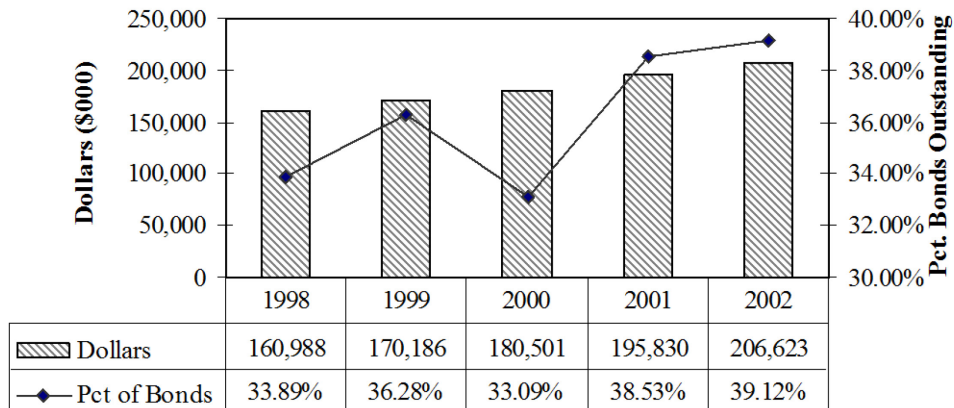
According to the National Council of State Housing Agencies, the South Carolina State Housing Finance and Development Authority "ranks among the nation's most financially secure and well-managed housing finance agencies." Moody's Investors Service rate the Authority's Bonds Aa.

The following tables and graphs are from the 2003 State Housing Finance Agency Outlook and Medians (Based On Fiscal Year 2002 Financials And Program Data) produced by Moody's Investor Service:

	1998	1999	% Chg from Previous Year	2000	% Chg from Previous Year	2001	% Chg from Previous Year	2002	% Chg from Previous Year	3yr % Chg	2002 Rank
Combined Fund Balance	160,988	170,186	5.71%	180,501	6.06%	195,830	8.49%	206,623	5.51%	14.47%	27
General Fund Balance	1,869	2,510	34.30%	3,037	21.00%	3,237	6.59%	18,142	460.46%	497.37%	39
Profitability	31.07%	19.98%	35.69%	16.68%	-16.52%	23.30%	39.69%	17.96%	22.92%	7.67%	12
Mortgages	464,668	435,479	-6.28%	506,524	16.31%	538,444	6.30%	567,652	5.42%	12.07%	43
Total Assets	652,972	654,857	0.29%	742,263	13.35%	721,972	2.73%	753,330	4.34%	1.49%	46
Combined FB as % Bonds Outstanding	33.89%	36.28%	7.05%	33.09%	-8.79%	38.53%	16.44%	39.12%	1.53%	18.22%	5
General FB as % Bonds Outstanding	0.39%	0.54%	38.46%	0.56%	3.70%	0.64%	14.29%	3.44%	437.50%	514.29%	27
Bonds Outstanding	475,001	469,065	-1.25%	545,477	16.29%	508,203	6.83%	528,135	3.92%	-3.18%	28

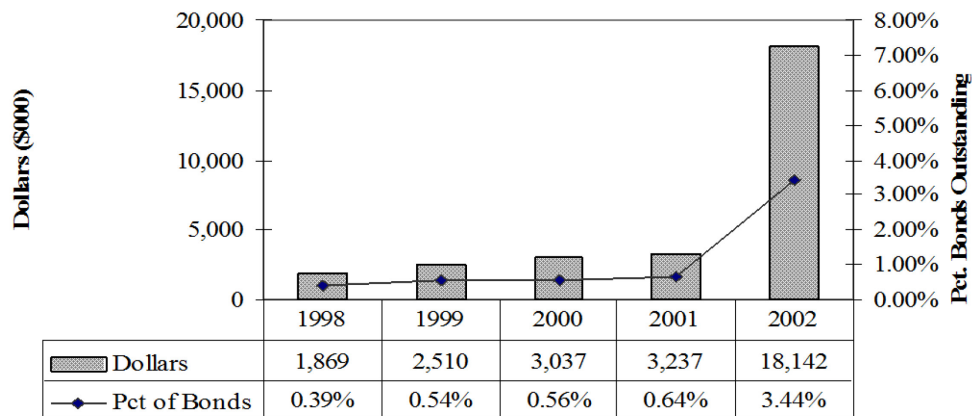
Table 7.6a

**SCSHFDA Combined Fund Balance and Combined Fund Balance as a
Percent of Bonds Outstanding**



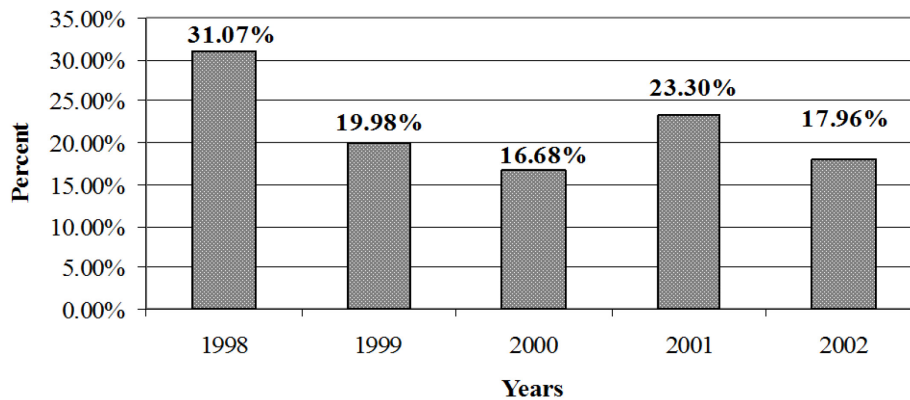
Graph 7.6a

**SCSHFDA General Fund Balance and General Fund Balance as a
Percent of Bonds Outstanding**



Graph 7.6b

SCSHFDA Profitability

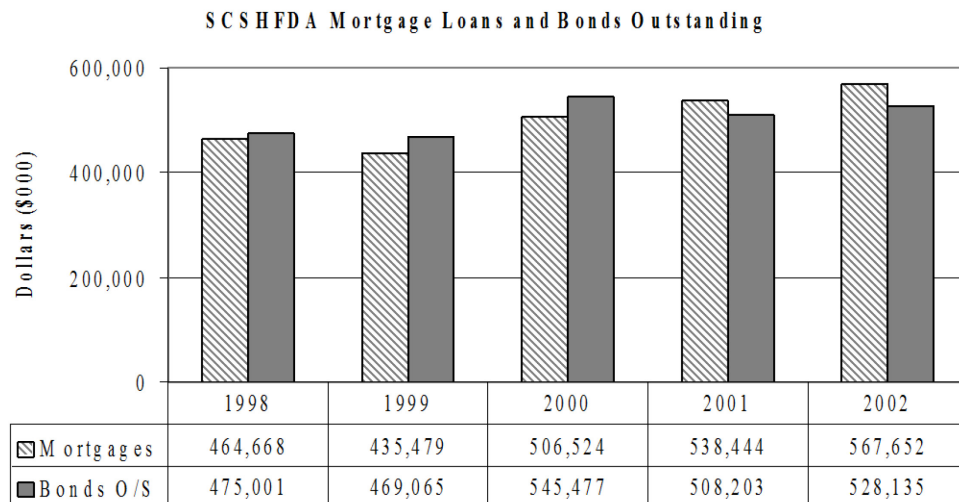


Graph 7.6c

Below is Moody's opinion and outlook of the Authority's financial position as stated in page 51 of the 2003 State Housing Finance Agency Outlook and Medians:

Opinion

Moody's believes that SCHFDA's adjusted combined fund balance of \$207million, or 39% of bonds outstanding as of June 30, 2002 is able to offset any possible credit needs stemming from its various housing programs. However, given various indenture release tests, all of these excess program assets may not be available for liquidation if needed for other purposes of the Authority. The Authority maintains a General Operating Fund funded at approximately \$18 million, or 3.44% of bonds outstanding. The Authority also utilizes bond program transfers to meet additional general and administrative expenses of SCHFDA.



Graph 7.6d

Outlook

The outlook for the A2 rating is stable. The A2 rating reflects a strong combined fund balance relative to low levels of risk within the Authority's housing programs. We expect the Authority to continue to generate sufficient revenues from operations to cover existing liabilities over the near-to-mid term.